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COMMITTEE ON THE BUDGET  
MAJORITY CAUCUS  
U.S. House of Representatives  
106th Congress — Washington, DC

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January 27, 2000

# The New Challenge: Protecting Surpluses To Provide Debt Relief *and* Tax Relief

## *GOP Priorities in the Era of Surplus*

### **Where We Came From: Deficits and Debt.**

**1995:** The new Republican-led Congress and President Clinton debate a “revolutionary” GOP proposal to achieve a “unified” balanced budget *by 2002*, using Social Security surpluses. At the time, the Congressional Budget Office [CBO] was projecting multi-billion dollar deficits as far as the eye could see.

### **The Direction Republicans Took: Fiscal Discipline.**

**1997:** The Balanced Budget Act of 1997 began a new era of fiscal restraint in the United States Congress. What began as a plan to balance the budget and end a generation of deficit spending has now become the benchmark of a new era: one of burgeoning budget surpluses and new opportunities to put America’s fiscal house in order for the long term.

### **The Result: A New Era of Surplus.**

**2000:** Not only is the Federal Government moving into the third year of a unified budget surplus, it is moving into an “on-budget,” non-Social Security, surplus.

## **Fiscal Discipline Works: The New CBO Numbers**

- < **Increasing Surpluses:** CBO's new projections, released this week, show that the non-Social Security surplus will essentially double to \$1.86 trillion through 2010, compared to last July's projections. Including Social Security, CBO projects the Federal Government will compile an over \$4 trillion surplus through 2010.
- < **Shrinking Debt:** Continuing to reserve the Social Security surplus will allow us to pay down \$2.3 trillion in debt held by the public between 2001 and 2010....that's in addition to the \$139 billion we've paid down since 1998 and the \$178 billion we could pay down this year.
- < **Better Economic Growth:** Since July, CBO revenue projections have increased by \$651 billion through 2009, mainly because of sustained economic growth.

## Where Do We Go From Here?

As we begin the debate over the fiscal year 2001 budget, let's take a look at where things stand: For two years now the Federal Government has operated with growing surpluses. The Balanced Budget Act has served as an effective brake on runaway spending increases and new big government programs proposed by the Clinton Administration. Republicans in Congress must remain committed to the kind of fiscal discipline that is now putting us in a position to pay down \$178 billion in debt held by the public this year alone. Here's how:

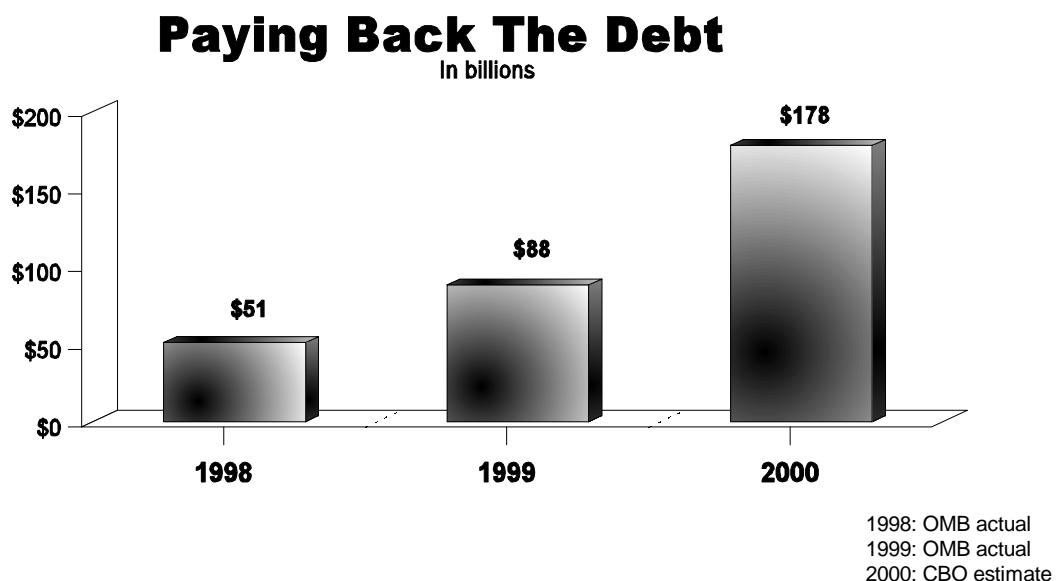
### Step One: Declare Victory on Ending the Raid on Social Security

Last year surpluses piled up like cordwood, but most of this money came from taxes paid into Social Security. President Clinton and the Democrats in Congress proposed huge new spending increases, further tax increases, and, in a classic kick in the pants to people who rely on Social Security, a **\$50 billion raid on the Social Security surplus**.

Republicans in Congress had something bolder in mind. We pledged to lock away 100 percent of the Social Security surplus. This week's report from CBO confirms that **by the end of 2000, the GOP had done the near impossible; for the first time in a generation, we stopped the Federal Government's raid on Social Security**.

### Step Two: Continue Paying Down Debt

The chart below shows that Federal Government is finally starting to pay back the debts of previous tax-and-spend Congresses. We must reject any policy that would return to deficit spending:



### **Step Three: Retire the Debt Held by the Public by Date Certain**

We begin this year with an extraordinary proposal by House Speaker Dennis Hastert: Lock away the Social Security surplus for good so that we can pay off the \$3.6 trillion debt by 2015—a plan so appealing, President Clinton is already stealing it. The CBO this week reported that surplus projections will continue to rise on the momentum of high taxes during a strong economy. We now expect the Social Security Surplus to be about \$2 trillion over the next ten years. **This part of the surplus can be used to achieve the twin goals of protecting Social Security and retiring debt.**

### **Step Four: Reject the Democrats Risky, Budget-Busting Spending Scheme**

Last year CBO estimated the Federal Government would generate about \$1 trillion in non-Social Security (on-budget) surpluses over the next decade. With this week's revision essentially doubling that projection, Republicans should be more vigilant than ever in resisting the temptation to spend. The problem is that every signal from the White House so far is that they will propose increases in spending in virtually every category of government. This would effectively squander the surplus on a lame duck agenda proposed by a lame duck president.

Democrats in Congress have an even more dangerous approach: Tie government spending to the rate of inflation. This approach **slashes the new budget surpluses in half over ten years.**

**Step Five: Allow Future Surpluses to Grow and Get Them OUT OF WASHINGTON.** This is where the battle lines will be drawn in this year's budget wars. Do we put government on spending autopilot and destroy these new surpluses or do we take advantage of this opportunity to strengthen our economy and pay off our debt? Do we give the taxpayer some of his money back or do we leave it Washington where it will get spent?

We need to establish a new reality that restrains spending, even in an era of huge new surpluses. The government is still too big, still too wasteful and still too intrusive on the lives of average Americans. The challenge for the GOP this year will be to find this new reality and limit government growth to protect these surplus revenues for the priorities of the future.